



TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2005

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Frankenmuth	County Saginaw
Audit Date March 31, 2005	Opinion Date May 7, 2005	Date Accountant Report Submitted to State: June 24, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature <i>Campbell, Kusterer & Co., P.C.</i>			

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

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Saginaw County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT

May 7, 2005

To the Township Board
Township of Frankenmuth
Saginaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, business type activities and each major fund of Township of Frankenmuth, Saginaw County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Frankenmuth's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities and each major fund of the Township of Frankenmuth, Saginaw County, Michigan as of March 31, 2005, and the respective changes in financial position and cash flows where applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

The Management's Discussion and Analysis report of the Township of Frankenmuth covers the Township's financial performance during the year ended March 31, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2005, totaled \$935,797.14 for governmental activities and \$2,134,781.40 for business activities. Overall total capital assets remained the same.

Overall revenues were \$934,447.76 (\$687,269.48 from governmental activities and \$247,178.28 from business-type activities). Governmental activities had a \$51,057.61 decrease in net assets. Business-type activities had a increase in net assets of \$65,420.61.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

All of the activities of the Township are reported as governmental activities and business-type activities. These include the General Fund, Police Fund, Road Fund, Garbage Fund, Building Fund, Fire Equipment Fund, Cemetery Fund, Current Tax Collection Fund, and eight Water Funds.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental Funds: Some of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund, Police Fund, Road Fund, Garbage Fund, Building Fund, Fire Equipment Fund and Cemetery Fund.

Business-Type Funds: The Township has eight Water Funds which includes the activity of providing water to Township residents.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in both the governmental and business-type activities remain strong.

FINANCIAL ANALYSIS OF THE TOWNSHIPS FUNDS

The Township General Fund Balance has, by design, gradually declined over the past 6 years from a level equaling 1.6 times General Fund annual expenditures to a present level that represents approximately 80% of the 2005 budgeted expenditures.

In order to stabilize the fund balance at this level, subsidies to other funds have been reduced as follows:

Road Fund	From \$75,000 to \$50,000
Police Protection	From \$30,000 to \$23,000
Fire Equipment	From \$10,000 to \$5,000
Garbage Pickup	From \$8000 to \$0

Reducing these subsidies changes the percentage of State Revenue Sharing allocated to other fund subsidies from 90% in 2004 to 60% in 2005.

Revenue sharing provides approximately 55% of General Fund revenues.

The Police Fund, Garbage Fund, and the Fire Equipment Fund are all funded through special assessments. Police and Fire Equipment spread equally over properties having building structures on them required these types of protection, and the Garbage Pickup Fund spread equally over properties having residences. Assessments for the fiscal year ended March 31, 2005, were \$190, \$100, and \$37 respectively, and are projected to be \$202, \$100, and \$37 for 2005, a combined increase of \$12, or 3.7%.

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

FINANCIAL ANALYSIS OF THE TOWNSHIPS FUNDS (continued)

The Road Fund is funded through a Road Millage of 2 mills, adjusted by Headlee. This raises approximately \$165,000 annually, which combined with the General Fund subsidy, provides about \$225,000 - \$250,000 annually for road construction. With the proposed increase in charges by the Road Commission in 2005 the Township will curtail starting any new road projects until projects already started are completed.

The Building Fund continues to have \$25,000 allocated to it annually for potential renovation of the present Township Hall (owned jointly with the City/Township Commission) for increased office and storage space. Taking into account comments by residents at the Annual Meeting, there seems to be no immediate urgency to build a new structure on Township owned land, but rather to expand the present facilities. Joint studies with the City of Frankenmuth are ongoing at this time.

The Water Funds had an increase in net assets of \$65,420.61.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets.
The Township's business-type activities invested \$0 in capital assets.
The Township's governmental activities paid \$0 of principal on long-term debt.
The Township's business-type activities paid \$183,733.00 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Township Treasurer at 989-652-6741.

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Current assets:			1 721 305 48
Investments	798 536 55	922 768 93	6 836 12
Taxes receivable	6 836 12	-	9 370 00
Other receivables	9 370 00	-	1 737 511 60
Total current assets	<u>814 742 67</u>	<u>922 768 93</u>	<u>1 737 511 60</u>
Other assets:			804 143 76
Special assessments receivable	-	804 143 76	804 143 76
Total other assets	<u>-</u>	<u>804 143 76</u>	<u>804 143 76</u>
Capital assets:			3 679 080 57
Capital assets	208 135 00	3 470 945 57	(921 396 70)
Less accumulated depreciation	(68 633 00)	(852 763 70)	2 757 683 87
Net fixed assets	<u>139 502 00</u>	<u>2 618 181 87</u>	<u>2 757 683 87</u>
Total Assets	<u><u>954 244 67</u></u>	<u><u>4 345 094 56</u></u>	<u><u>5 299 339 23</u></u>
<u>Liabilities and Net Assets</u>			
Current liabilities:			18 447 53
Accounts payable	18 447 53	-	183 733 00
Current portion of long-term liabilities	-	183 733 00	202 180 53
Total current liabilities	<u>18 447 53</u>	<u>183 733 00</u>	<u>202 180 53</u>
Long-term liabilities:			1 419 937 00
Bonds and loans payable	-	1 419 937 00	790 376 16
Deferred revenue – special assessments	-	790 376 16	(183 733 00)
Less current portion	-	(183 733 00)	2 026 580 16
Total long-term liabilities	<u>-</u>	<u>2 026 580 16</u>	<u>2 026 580 16</u>
Net assets:			1 337 646 87
Invested in capital assets, net of related debt	139 502 00	1 198 144 87	1 732 931 67
Unrestricted	796 295 14	936 636 53	3 070 578 54
Total net assets	<u>935 797 14</u>	<u>2 134 781 40</u>	<u>3 070 578 54</u>
Total Liabilities and Net Assets	<u><u>954 244 67</u></u>	<u><u>4 345 094 56</u></u>	<u><u>5 299 339 23</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	49 844 76	-	(49 844 76)
General government	69 023 78	31 347 32	(37 676 46)
Public safety	260 998 52	181 495 26	(79 503 26)
Public works	354 874 02	236 779 91	(118 094 11)
Others	3 586 01	-	(3 586 01)
Total Governmental Activities	<u>738 327 09</u>	<u>449 622 49</u>	<u>(288 704 60)</u>
Business-Type Activities:			
Water	<u>181 757 67</u>	<u>233 317 61</u>	-
Total Business-Type Activities	<u>181 757 67</u>	<u>233 317 61</u>	-
Total Government	<u><u>920 084 76</u></u>	<u><u>682 940 10</u></u>	<u><u>(288 704 60)</u></u>
General Revenues:			
Property taxes			70 055 59
State revenue sharing			137 530 00
Interest			11 176 83
Miscellaneous			<u>18 884 57</u>
Total General Revenues			<u>237 646 99</u>
Change in net assets			(51 057 61)
Net assets, beginning of year			<u>986 854 75</u>
Net Assets, End of Year			<u><u>935 797 14</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Business Type Activities</u>	<u>Total</u>
<u>Net (Expense) Revenue and Changes in Net Assets</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
-	(49 844 76)
-	(37 676 46)
-	(79 503 26)
-	(118 094 11)
-	(3 586 01)
-	(288 704 60)
<u>51 559 94</u>	<u>51 559 94</u>
<u>51 559 94</u>	<u>51 559 94</u>
<u>51 559 94</u>	<u>(237 144 66)</u>
-	70 055 59
-	137 530 00
13 860 67	25 037 50
-	18 884 57
<u>13 860 67</u>	<u>251 507 66</u>
65 420 61	14 363 00
<u>2 069 360 79</u>	<u>3 056 215 54</u>
<u>2 134 781 40</u>	<u>3 070 578 54</u>

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2005

	<u>General</u>	<u>Police</u>	<u>Road</u>	<u>Garbage</u>
<u>Assets</u>				
Investments	309 646 74	79 639 45	131 696 53	137 590 37
Taxes receivable	2 091 96	-	4 744 16	-
Special assessments receivable	50 00	5 510 00	-	2 700 00
Due from other funds	<u>3 774 82</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>315 563 52</u>	<u>85 149 45</u>	<u>136 440 69</u>	<u>140 290 37</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>18 387 37</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>18 387 37</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>315 563 52</u>	<u>85 149 45</u>	<u>136 440 69</u>	<u>121 903 00</u>
Total fund equity	<u>315 563 52</u>	<u>85 149 45</u>	<u>136 440 69</u>	<u>121 903 00</u>
Total Liabilities and Fund Equity	<u>315 563 52</u>	<u>85 149 45</u>	<u>136 440 69</u>	<u>140 290 37</u>

The accompanying notes are an integral part of these financial statements.

<u>Other Funds</u>	<u>Total</u>
136 188 64	794 761 73
-	6 836 12
1 110 00	9 370 00
-	3 774 82
<u>137 298 64</u>	<u>814 742 67</u>

<u>60 16</u>	<u>18 447 53</u>
<u>60 16</u>	<u>18 447 53</u>

<u>137 238 48</u>	<u>796 295 14</u>
<u>137 238 48</u>	<u>796 295 14</u>
<u>137 298 64</u>	<u>814 742 67</u>

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

March 31, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS 796 295 14

Amounts reported for governmental activities in the statement of
net assets are different because –

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost	208 135 00
Accumulated depreciation	<u>(68 633 00)</u>

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES 935 797 14

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>General</u>	<u>Police</u>	<u>Road</u>	<u>Garbage</u>
Revenues:				
Property taxes	70 055 59	-	-	-
Licenses and permits	2 150 40	-	-	-
State revenue sharing	137 145 00	385 00	-	-
Charges for services:				
Property tax administration	25 246 92	-	-	-
Cemetery	-	-	-	-
Interest	5 105 53	877 60	1 763 62	1 660 23
Special assessments	1 375 00	151 852 08	158 871 58	77 908 33
Miscellaneous	13 049 57	-	3 888 42	1 946 58
Total revenues	<u>254 128 01</u>	<u>153 114 68</u>	<u>164 523 62</u>	<u>81 515 14</u>
Expenditures:				
Legislative:				
Township Board	49 844 76	-	-	-
General government:				
Supervisor	11 767 53	-	-	-
Elections	4 000 25	-	-	-
Assessor	10 471 28	-	-	-
Clerk	11 625 51	-	-	-
Board of Review	1 126 92	-	-	-
Treasurer	14 273 15	-	-	-
Building and grounds	8 215 00	-	-	-
Cemetery	4 659 00	-	-	-
Public safety:				
Fire protection	29 954 00	-	-	-
Police protection	-	178 292 00	-	-
Protective inspection	5 383 60	-	-	-
Planning and zoning	10 866 92	-	-	-
Public works:				
Highways and streets	23 111 26	-	248 730 78	-
Street lighting	3 455 25	-	-	-
Sanitation	-	-	-	79 576 73
Other:				
Social security	3 586 01	-	-	-
Total expenditures	<u>192 340 44</u>	<u>178 292 00</u>	<u>248 730 78</u>	<u>79 576 73</u>
Excess (deficiency) of revenues over expenditures	<u>61 787 57</u>	<u>(25 177 32)</u>	<u>(84 207 16)</u>	<u>1 938 41</u>
Other financing sources (uses):				
Operating transfers in	-	30 000 00	75 000 00	8 000 00
Operating transfers out	(148 000 00)	-	-	-
Total other financing sources (uses)	<u>(148 000 00)</u>	<u>30 000 00</u>	<u>75 000 00</u>	<u>8 000 00</u>

The accompanying notes are an integral part of these financial statements.

<u>Other Funds</u>	<u>Total</u>
-	70 055 59
-	2 150 40
-	137 530 00
-	25 246 92
2 575 00	2 575 00
1 769 85	11 176 83
29 643 18	419 650 17
-	18 884 57
<u>33 988 03</u>	<u>687 269 48</u>
-	49 844 76
-	11 767 53
-	4 000 25
-	10 471 28
-	11 625 51
-	1 126 92
-	14 273 15
-	8 215 00
385 14	5 044 14
36 502 00	66 456 00
-	178 292 00
-	5 383 60
-	10 866 92
-	271 842 04
-	3 455 25
-	79 576 73
-	3 586 01
<u>36 887 14</u>	<u>735 827 09</u>
<u>(2 899 11)</u>	<u>(48 557 61)</u>
35 000 00	148 000 00
-	(148 000 00)
<u>35 000 00</u>	<u>-</u>

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>General</u>	<u>Police</u>	<u>Road</u>	<u>Garbage</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(86 212 43)	4 822 68	(9 207 16)	9 938 41
Fund balances, April 1	<u>401 775 95</u>	<u>80 326 77</u>	<u>145 647 85</u>	<u>111 964 59</u>
Fund Balances, March 31	<u><u>315 563 52</u></u>	<u><u>85 149 45</u></u>	<u><u>136 440 69</u></u>	<u><u>121 903 00</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Other Funds</u>	<u>Total</u>
32 100 89	(48 557 61)
<u>105 137 59</u>	<u>844 852 75</u>
<u>137 238 48</u>	<u>796 295 14</u>

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (48 557 61)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(2 500 00)
Capital Outlay	<u>-</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>(51 057 61)</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

STATEMENT OF NET ASSETS – BUSINESS-TYPE FUNDS
March 31, 2005

	<u>Water General</u>	<u>Water District #5</u>	<u>Water District #6</u>	<u>Water District #7</u>
<u>Assets</u>				
Current assets:				
Investments	152 017 95	57 008 79	14 751 20	58 167 37
Total current assets	<u>152 017 95</u>	<u>57 008 79</u>	<u>14 751 20</u>	<u>58 167 37</u>
Other assets:				
Special assessments receivable	-	49 610 79	12 183 03	37 044 39
Total other assets	<u>-</u>	<u>49 610 79</u>	<u>12 183 03</u>	<u>37 044 39</u>
Capital assets:				
Capital assets	569 772 84	254 784 26	109 371 57	184 300 00
Less accumulated depreciation	(296 720 00)	(70 070 00)	(30 660 00)	(50 688 00)
Net fixed assets	<u>273 052 84</u>	<u>184 714 26</u>	<u>78 711 57</u>	<u>133 612 00</u>
Total Assets	<u>425 070 79</u>	<u>291 333 84</u>	<u>105 645 80</u>	<u>228 823 76</u>
<u>Liabilities and Net Assets</u>				
Current liabilities:				
Current portion of long-term liabilities	-	-	10 000 00	13 733 00
Total current liabilities	<u>-</u>	<u>-</u>	<u>10 000 00</u>	<u>13 733 00</u>
Long-term liabilities:				
Bonds and loans payable	-	-	30 000 00	54 937 00
Deferred revenue – special assessments	-	47 071 33	11 126 87	36 347 16
Less current portion	-	-	(10 000 00)	(13 733 00)
Total long-term liabilities	<u>-</u>	<u>47 071 33</u>	<u>31 126 87</u>	<u>77 551 16</u>
Net assets:				
Invested in capital assets, net of related debt	273 052 84	184 714 26	48 711 57	78 675 00
Unrestricted	152 017 95	59 548 25	15 807 36	58 864 60
Total net assets	<u>425 070 79</u>	<u>244 262 51</u>	<u>64 518 93</u>	<u>137 539 60</u>
Total Liabilities and Net Assets	<u>425 070 79</u>	<u>291 333 84</u>	<u>105 645 80</u>	<u>228 823 76</u>

The accompanying notes are an integral part of these financial statements.

<u>Water District #8</u>	<u>Water District #9</u>	<u>Water District #11</u>	<u>Water District #12</u>	<u>Total</u>
<u>7 961 42</u>	<u>36 174 20</u>	<u>171 611 11</u>	<u>425 076 89</u>	<u>922 768 93</u>
<u>7 961 42</u>	<u>36 174 20</u>	<u>171 611 11</u>	<u>425 076 89</u>	<u>922 768 93</u>
<u>113 818 47</u>	<u>16 643 00</u>	<u>267 325 63</u>	<u>307 518 45</u>	<u>804 143 76</u>
<u>113 818 47</u>	<u>16 643 00</u>	<u>267 325 63</u>	<u>307 518 45</u>	<u>804 143 76</u>
<u>647 031 53</u>	<u>138 684 73</u>	<u>653 242 89</u>	<u>913 757 75</u>	<u>3 470 945 57</u>
<u>(157 750 00)</u>	<u>(34 670 00)</u>	<u>(97 986 00)</u>	<u>(114 219 70)</u>	<u>(852 763 70)</u>
<u>489 281 53</u>	<u>104 014 73</u>	<u>555 256 89</u>	<u>799 538 05</u>	<u>2 618 181 87</u>
<u>611 061 42</u>	<u>156 831 93</u>	<u>994 193 63</u>	<u>1 532 133 39</u>	<u>4 345 094 56</u>
<u>42 900 00</u>	<u>7 100 00</u>	<u>45 000 00</u>	<u>65 000 00</u>	<u>183 733 00</u>
<u>42 900 00</u>	<u>7 100 00</u>	<u>45 000 00</u>	<u>65 000 00</u>	<u>183 733 00</u>
<u>235 950 00</u>	<u>39 050 00</u>	<u>410 000 00</u>	<u>650 000 00</u>	<u>1 419 937 00</u>
<u>108 307 87</u>	<u>16 643 00</u>	<u>267 325 63</u>	<u>303 554 30</u>	<u>790 376 16</u>
<u>(42 900 00)</u>	<u>(7 100 00)</u>	<u>(45 000 00)</u>	<u>(65 000 00)</u>	<u>(183 733 00)</u>
<u>301 357 87</u>	<u>48 593 00</u>	<u>632 325 63</u>	<u>888 554 30</u>	<u>2 026 580 16</u>
<u>253 331 53</u>	<u>64 964 73</u>	<u>145 256 89</u>	<u>149 438 05</u>	<u>1 198 144 87</u>
<u>13 472 02</u>	<u>36 174 20</u>	<u>171 611 11</u>	<u>429 141 04</u>	<u>936 636 53</u>
<u>266 803 55</u>	<u>101 138 93</u>	<u>316 868 00</u>	<u>578 579 09</u>	<u>2 134 781 40</u>
<u>611 061 42</u>	<u>156 831 93</u>	<u>994 193 63</u>	<u>1 532 133 39</u>	<u>4 345 094 56</u>

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS --
BUSINESS-TYPE FUNDS
Year ended March 31, 2005

	<u>Water General</u>	<u>Water District #5</u>	<u>Water District #6</u>	<u>Water District #7</u>
Operating revenues:				
Service charges	<u>10 034 42</u>	<u>-</u>	<u>-</u>	<u>800 00</u>
Total operating revenues	<u>10 034 42</u>	<u>-</u>	<u>-</u>	<u>800 00</u>
Less operating expenses:				
Administration fees	<u>-</u>	<u>306 17</u>	<u>74 18</u>	<u>253 18</u>
Professional fees	<u>1 625 84</u>	<u>225 00</u>	<u>225 00</u>	<u>225 00</u>
Repairs and miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>380 97</u>
Total operating expenses before depreciation	<u>1 625 84</u>	<u>531 17</u>	<u>299 18</u>	<u>859 15</u>
Operating income (loss) before depreciation	<u>8 408 58</u>	<u>(531 17)</u>	<u>(299 18)</u>	<u>(59 15)</u>
Less: depreciation	<u>(14 240 00)</u>	<u>(6 370 00)</u>	<u>(2 375 00)</u>	<u>(4 608 00)</u>
Operating income (loss)	<u>(5 831 42)</u>	<u>(6 901 17)</u>	<u>(2 674 18)</u>	<u>(4 667 15)</u>
Non-operating revenues and (expenses):				
Special assessments	<u>(14 100 00)</u>	<u>17 676 06</u>	<u>4 668 80</u>	<u>16 336 10</u>
Interest income	<u>2 198 00</u>	<u>651 54</u>	<u>297 96</u>	<u>846 54</u>
Interest expense	<u>-</u>	<u>-</u>	<u>(2 255 00)</u>	<u>(1 712 55)</u>
Paying agent fees	<u>-</u>	<u>-</u>	<u>(400 00)</u>	<u>-</u>
Total non-operating revenues and (expenses)	<u>(11 902 00)</u>	<u>18 327 60</u>	<u>2 311 76</u>	<u>15 470 09</u>
Change in net assets	<u>(17 733 42)</u>	<u>11 426 43</u>	<u>(362 42)</u>	<u>10 802 94</u>
Net assets, beginning of year	<u>442 804 21</u>	<u>232 836 08</u>	<u>64 881 35</u>	<u>126 736 66</u>
Net Assets, End of Year	<u>425 070 79</u>	<u>244 262 51</u>	<u>64 518 93</u>	<u>137 539 60</u>

The accompanying notes are an integral part of these financial statements.

<u>Water District #8</u>	<u>Water District #9</u>	<u>Water District #11</u>	<u>Water District #12</u>	<u>Total</u>
<u>-</u>	<u>-</u>	<u>800 00</u>	<u>-</u>	<u>11 634 42</u>
<u>-</u>	<u>-</u>	<u>800 00</u>	<u>-</u>	<u>11 634 42</u>
670 22	99 86	1 485 14	1 799 84	4 688 59
225 00	225 00	225 00	225 00	3 200 84
<u>-</u>	<u>-</u>	<u>674 78</u>	<u>-</u>	<u>1 055 75</u>
<u>895 22</u>	<u>324 86</u>	<u>2 384 92</u>	<u>2 024 84</u>	<u>8 945 18</u>
(895 22)	(324 86)	(1 584 92)	(2 024 84)	2 689 24
<u>(15 775 00)</u>	<u>(3 467 00)</u>	<u>(16 331 00)</u>	<u>(22 843 94)</u>	<u>(86 009 94)</u>
<u>(16 670 22)</u>	<u>(3 791 86)</u>	<u>(17 915 92)</u>	<u>(24 868 78)</u>	<u>(83 320 70)</u>
34 111 18	4 566 93	57 537 94	100 886 18	221 683 19
650 14	583 60	2 545 19	6 087 70	13 860 67
(15 529 80)	(2 570 20)	(25 025 00)	(38 610 00)	(85 702 55)
<u>(343 20)</u>	<u>(56 80)</u>	<u>(300 00)</u>	<u>-</u>	<u>(1 100 00)</u>
<u>18 888 32</u>	<u>2 523 53</u>	<u>34 758 13</u>	<u>68 363 88</u>	<u>148 741 31</u>
2 218 10	(1 268 33)	16 842 21	43 495 10	65 420 61
<u>264 585 45</u>	<u>102 407 26</u>	<u>300 025 79</u>	<u>535 083 99</u>	<u>2 069 360 79</u>
<u>266 803 55</u>	<u>101 138 93</u>	<u>316 868 00</u>	<u>578 579 09</u>	<u>2 134 781 40</u>

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

STATEMENT OF CASH FLOWS – BUSINESS-TYPE FUNDS
Year ended March 31, 2005

	<u>Water General</u>	<u>Water District #5</u>	<u>Water District #6</u>	<u>Water District #7</u>
Cash flows from operating activities:				
Cash received from customers	10 034 42	-	-	800 00
Cash payments to suppliers for goods and services	<u>(1 625 84)</u>	<u>(531 17)</u>	<u>(299 18)</u>	<u>(859 15)</u>
Net cash provided (used) for Operating activities	<u>8 408 58</u>	<u>(531 17)</u>	<u>(299 18)</u>	<u>(59 15)</u>
Cash flows from capital and related financing activities:				
Proceeds from special assessments	(14 100 00)	17 059 33	4 164 30	16 364 61
Principal paid on loans and bonds	-	-	(10 000 00)	(13 733 00)
Interest paid on loans and bonds	-	-	<u>(2 655 00)</u>	<u>(1 712 55)</u>
Net cash provided (used) for capital and related financing activities	<u>(14 100 00)</u>	<u>17 059 33</u>	<u>(8 490 70)</u>	<u>919 06</u>
Cash flows from investing activities:				
Interest income	<u>2 198 00</u>	<u>651 54</u>	<u>297 96</u>	<u>846 54</u>
Net cash provided (used) for investing activities	<u>2 198 00</u>	<u>651 54</u>	<u>297 96</u>	<u>846 54</u>
Net increase (decrease) in cash and cash equivalents	(3 493 42)	17 179 70	(8 491 92)	1 706 45
Cash and cash equivalents, April 1	<u>155 511 37</u>	<u>39 829 09</u>	<u>23 243 12</u>	<u>56 460 92</u>
Cash and Cash Equivalents, March 31	<u>152 017 95</u>	<u>57 008 79</u>	<u>14 751 20</u>	<u>58 167 37</u>
Reconciliation of operating income to net cash provided (used) for operating activities:				
Operating income (loss)	(5 831 42)	(6 901 17)	(2 674 18)	(4 667 15)
Depreciation	<u>14 240 00</u>	<u>6 370 00</u>	<u>2 375 00</u>	<u>4 608 00</u>
Net Cash Provided (Used) for Operating Activities	<u>8 408 58</u>	<u>(531 17)</u>	<u>(299 18)</u>	<u>(59 15)</u>

The accompanying notes are an integral part of these financial statements.

<u>Water District #8</u>	<u>Water District #9</u>	<u>Water District #11</u>	<u>Water District #12</u>	<u>Total</u>
-	-	800 00	-	11 634 42
<u>(895 22)</u>	<u>(324 86)</u>	<u>(2 384 92)</u>	<u>(2 024 84)</u>	<u>(8 945 18)</u>
<u>(895 22)</u>	<u>(324 86)</u>	<u>(1 584 92)</u>	<u>(2 024 84)</u>	<u>2 689 24</u>
32 495 70	4 566 93	58 925 38	101 243 14	220 719 39
(42 900 00)	(7 100 00)	(45 000 00)	(65 000 00)	(183 733 00)
<u>(15 873 00)</u>	<u>(2 627 00)</u>	<u>(25 325 00)</u>	<u>(38 610 00)</u>	<u>(86 802 55)</u>
<u>(26 277 30)</u>	<u>(5 160 07)</u>	<u>(11 399 62)</u>	<u>(2 366 86)</u>	<u>(49 816 16)</u>
<u>650 14</u>	<u>583 60</u>	<u>2 545 19</u>	<u>6 087 70</u>	<u>13 860 67</u>
<u>650 14</u>	<u>583 60</u>	<u>2 545 19</u>	<u>6 087 70</u>	<u>13 860 67</u>
(26 522 38)	(4 901 33)	(10 439 35)	1 696 00	(33 266 25)
<u>34 483 80</u>	<u>41 075 53</u>	<u>182 050 46</u>	<u>423 380 89</u>	<u>956 035 18</u>
<u>7 961 42</u>	<u>36 174 20</u>	<u>171 611 11</u>	<u>425 076 89</u>	<u>922 768 93</u>
(16 670 22)	(3 791 86)	(17 915 92)	(24 868 78)	(83 320 70)
<u>15 775 00</u>	<u>3 467 00</u>	<u>16 331 00</u>	<u>22 843 94</u>	<u>86 009 94</u>
<u>(895 22)</u>	<u>(324 86)</u>	<u>(1 584 92)</u>	<u>(2 024 84)</u>	<u>2 689 24</u>

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Frankenmuth, Saginaw County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Frankenmuth. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Joint Venture

In 1960, the Township entered into a Joint Venture with the City of Frankenmuth to form the Frankenmuth City-Township Commission. The Commission manages jointly owned property and equipment. A financial summary of the Commission as of December 31, 2000, is as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>General Fixed Assets</u>	<u>General Long-term Debt</u>
Assets	35 747	211 305	405	1 744 642	390 000
Liabilities	2 739	18 000	-	-	390 000
Fund Balance	33 008	193 305	405	1 744 642	-
Revenues	47 871	123 573	127 011	-	-
Expenditures	70 627	105 196	126 606	-	-
Excess of revenues over expenditures	(22 756)	18 377	405	-	-

Contributions of the Township to the Commission for the year ended March 31, 2005, are as follows:

General Fund	42 828 00
Fire Equipment Fund	<u>36 277 00</u>
Total	<u><u>79 105 00</u></u>

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

Major individual governmental and business type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Capital Projects Funds

These funds are used to account for the acquisition or construction of major capital assets.

Permanent Fund

The Cemetery Perpetual Care Fund is used to account for assets that are legally restricted.

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise funds are charges to customers for services. The enterprise funds also recognize as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Funds

These funds are used to account for assets held in trust or as an agent for others.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2004 tax roll millage rate was 2.7828 mills, and the taxable value was \$80,420,103.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	40 years
Equipment	5 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$139,502.00.

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>-</u>

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 3 – Deposits and Investments (continued)

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	-
Uninsured and Uncollateralized	-
Total Deposits	<u>-</u>

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name. The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

<u>Investment Type</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
Risk-Categorized: Operating Funds	-	-	-	-
Total Risk-Categorized Investments	<u>-</u>	<u>-</u>	<u>-</u>	-
Nonrisk-Categorized: Financial Institution Pooled Funds				<u>1 721 305 48</u>
Total Investments				<u>1 721 305 48</u>

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 4 – Capital Assets Governmental Activities

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/04	Additions	Deletions	Balance 3/31/05
<u>Governmental Activities:</u>				
Land	82 000 00	-	-	82 000 00
Building improvements	100 000 00	-	-	100 000 00
Equipment	26 135 00	-	-	26 135 00
Total	208 135 00	-	-	208 135 00
Accumulated Depreciation	(66 133 00)	(2 500 00)	-	(68 633 00)
Net Governmental Capital Assets	<u>142 002 00</u>	<u>(2 500 00)</u>	<u>-</u>	<u>139 502 00</u>

Note 5 – Capital Assets – Business-Type Activities

A summary of business-type property, plant and equipment at March 31, 2005, follows:

	<u>Enterprise</u>			
	Water District #5	Water District #6	Water District #7	Water District #8
Property, mains & equipment	254 784 26	109 371 57	184 300 00	647 031 53
Less accumulated depreciation	(70 070 00)	(30 660 00)	(50 688 00)	(157 750 00)
Net	<u>184 714 26</u>	<u>78 711 57</u>	<u>133 612 00</u>	<u>489 281 53</u>

	<u>Enterprise</u>			
	Water District #9	Water District #11	Water District #12	Water General
Property, mains & equipment	138 684 73	653 242 89	913 757 75	569 772 84
Less accumulated depreciation	(34 670 00)	(97 986 00)	(114 219 70)	(296 720 00)
Net	<u>104 014 73</u>	<u>555 256 89</u>	<u>799 538 05</u>	<u>273 052 84</u>

Note 6 – Changes in Long-Term Debt

The following is a summary of bonds and loan transactions of the Township for the year ended March 31, 2005.

Bonds and loans payable at April 1, 2004	1 603 670 00
Bonds issued	-
Bonds and loans retired	(183 733 00)
Bonds and Loans Payable at March 31, 2005	<u>1 419 937 00</u>

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 6 – Changes in Long-Term Debt (continued)

Frankenmuth Township has only water district bonds and loans outstanding. These bonds and loans are described as follows:

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Amount of Annual Maturity</u>	<u>Outstanding</u>
Water District #6 Issue amount - \$105,000	4.8 to 7.75	3/01/2006-2008	10 000	<u>30 000 00</u>
Water District #7 Issue amount - \$206,000	5.15	3/05/2006-2009	13 733	<u>54 937 00</u>
Water District #8 and #9 Issue amount - \$775,000	5.00 to 7.00	4/01/2006-2010	50 000 to 75 000	<u>275 000 00</u>
Water District #11 Issue amount - \$650,000	5.00 to 5.50	3/01/2006-2014	45 000 to 50 000	<u>410 000 00</u>
Water District #12 Issue amount - \$935,000	5.10 to 7.10	3/01/2006-2015	35 000 to 65 000	<u>650 000 00</u>

Annual requirements to amortize bonds and loans are as follows:

<u>Fiscal Year</u>	<u>Bond Principal</u>
2005-2006	183 733 00
2006-2007	183 733 00
2007-2008	183 733 00
2008-2009	173 738 00
2009-2010	185 000 00
2010-2011	110 000 00
2011-2012	110 000 00
2012-2013	110 000 00
2013-2014	115 000 00
2014-2015	<u>65 000 00</u>
Total	<u>1 419 937 00</u>

Note 7 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 8 – Pension Plan

The Township does not have a pension plan.

Note 9 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 10 – Segment Information for Enterprise Funds

The Township maintains eight Enterprise Funds which provide water services. Segment information for the year ended March 31, 2005, is as follows:

	<u>Water General</u>	<u>Water District #5</u>	<u>Water District #6</u>	<u>Water District #7</u>
Operating revenues	10 034 42	-	-	800 00
Depreciation expense	14 240 00	6 370 00	2 375 00	4 608 00
Operating income (loss)	(5 831 42)	(6 901 17)	(2 674 18)	(4 667 15)
Change in net assets	(17 733 42)	11 426 43	(362 42)	10 802 94
Net working capital	152 017 95	57 008 79	4 751 20	44 434 37
Bonds and other long-term liabilities	-	-	30 000 00	54 937 00
Total net assets	425 070 79	244 262 51	64 518 93	137 539 60
	<u>Water District #8</u>	<u>Water District #9</u>	<u>Water District #11</u>	<u>Water District #12</u>
Operating revenues	-	-	800 00	-
Depreciation expense	15 775 00	3 467 00	16 331 00	22 843 94
Operating income (loss)	(16 670 22)	(3 791 86)	(17 915 92)	(24 868 78)
Change in net assets	2 218 10	(1 268 33)	16 842 21	43 495 10
Net working capital	(34 938 58)	29 074 20	126 611 11	360 076 89
Bonds and other long-term liabilities	235 950 00	39 050 00	410 000 00	650 000 00
Total net assets	266 803 55	101 138 93	316 868 00	578 579 09

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 11 – Interfund Receivables and Payables

For the fiscal year ended March 31, 2005, the Township had the following interfund receivables and payables:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	3 774 82	Current Tax Collection Fund	3 774 82
Total	<u>3 774 82</u>	Total	<u>3 774 82</u>

Note 12 – Transfers In and Transfers Out

For the fiscal year ended March 31, 2005, the Township had the following interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Police	30 000 00	General	30 000 00
Garbage	8 000 00	General	8 000 00
Road	75 000 00	General	75 000 00
Building	25 000 00	General	25 000 00
Fire Equipment	<u>10 000 00</u>	General	<u>10 000 00</u>
Total	<u>148 000 00</u>	Total	<u>148 000 00</u>

Note 13 – Building Permits

As of March 31, 2005, the Township had building permit revenues of \$1,625.40 and building permit expenses of \$5,383.60.

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	70 000 00	70 000 00	70 055 59	55 59
Licenses and permits	10 500 00	10 500 00	2 150 40	(8 349 60)
State revenue sharing	134 000 00	134 000 00	137 145 00	3 145 00
Charges for services:				
Property tax administration	25 000 00	25 000 00	25 246 92	246 92
Interest	2 700 00	2 700 00	5 105 53	2 405 53
Special assessments	1 400 00	1 400 00	1 375 00	(25 00)
Miscellaneous	10 100 00	10 100 00	13 049 57	2 949 57
Total revenues	<u>253 700 00</u>	<u>253 700 00</u>	<u>254 128 01</u>	<u>428 01</u>
Expenditures:				
Legislative:				
Township Board	65 064 00	64 964 00	49 844 76	(15 119 24)
General government:				
Supervisor	12 750 00	12 750 00	11 767 53	(982 47)
Elections	4 650 00	4 650 00	4 000 25	(649 75)
Assessor	10 500 00	10 500 00	10 471 28	(28 72)
Clerk	11 950 00	11 950 00	11 625 51	(324 49)
Board of Review	1 100 00	1 200 00	1 126 92	(73 08)
Treasurer	15 000 00	15 000 00	14 273 15	(726 85)
Building and grounds	8 215 00	8 215 00	8 215 00	-
Cemetery	4 659 00	4 659 00	4 659 00	-
Public safety:				
Fire protection	29 954 00	29 954 00	29 954 00	-
Protective inspection	21 000 00	21 000 00	5 383 60	(15 616 40)
Planning and zoning	15 600 00	15 600 00	10 866 92	(4 733 08)
Public works:				
Highways and streets	28 000 00	28 000 00	23 111 26	(4 888 74)
Street lighting	4 000 00	4 000 00	3 455 25	(544 75)
Other functions:				
Social security	4 600 00	4 600 00	3 586 01	(1 013 99)
Total expenditures	<u>237 042 00</u>	<u>237 042 00</u>	<u>192 340 44</u>	<u>(44 701 56)</u>
Excess (deficiency) of revenues over expenditures	<u>16 658 00</u>	<u>16 658 00</u>	<u>61 787 57</u>	<u>45 129 57</u>
Other financing sources (uses):				
Operating transfers out	(148 000 00)	(148 000 00)	(148 000 00)	-
Total other financing sources (uses)	<u>(148 000 00)</u>	<u>(148 000 00)</u>	<u>(148 000 00)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(131 342 00)</u>	<u>(131 342 00)</u>	<u>(86 212 43)</u>	<u>45 129 57</u>
Fund balance, April 1	<u>400 412 93</u>	<u>400 412 93</u>	<u>401 775 95</u>	<u>1 363 02</u>
Fund Balance, March 31	<u>269 070 93</u>	<u>269 070 93</u>	<u>315 563 52</u>	<u>46 492 59</u>

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

BUDGETARY COMPARISON SCHEDULE – POLICE FUND

Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
State revenue sharing	400 00	400 00	385 00	(15 00)
Special assessments	143 675 00	143 675 00	151 852 08	8 177 08
Interest	150 00	150 00	877 60	727 60
Total revenues	<u>144 225 00</u>	<u>144 225 00</u>	<u>153 114 68</u>	<u>8 889 68</u>
Expenditures:				
Public safety:				
Police protection:				
Contracted services	174 000 00	178 067 00	178 067 00	-
Professional services	225 00	225 00	225 00	-
Total expenditures	<u>174 225 00</u>	<u>178 292 00</u>	<u>178 292 00</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(30 000 00)</u>	<u>(34 067 00)</u>	<u>(25 177 32)</u>	<u>8 889 68</u>
Other financing sources (uses):				
Operating transfers in	30 000 00	30 000 00	30 000 00	-
Total other financing sources (uses)	<u>30 000 00</u>	<u>30 000 00</u>	<u>30 000 00</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	(34 067 00)	(25 177 32)	8 889 68
Fund balance, April 1	-	75 451 77	80 326 77	4 875 00
Fund Balance, March 31	<u>-</u>	<u>71 384 77</u>	<u>85 149 45</u>	<u>13 764 68</u>

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

BUDGETARY COMPARISON SCHEDULE – ROAD FUND
Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Interest	500 00	500 00	1 763 62	1 263 62
Special assessments	162 040 00	162 040 00	158 871 58	(3 168 42)
Miscellaneous	3 888 00	3 888 00	3 888 42	42
Total revenues	166 428 00	166 428 00	164 523 62	(1 904 38)
Expenditures:				
Public works:				
Highways and streets:				
Contracted services	237 315 00	248 505 78	248 505 78	-
Professional services	225 00	225 00	225 00	-
Total expenditures	237 540 00	248 730 78	248 730 78	-
Excess (deficiency) of revenues over expenditures	(71 112 00)	(82 302 78)	(84 207 16)	(1 904 38)
Other financing sources (uses):				
Operating transfers in	75 000 00	75 000 00	75 000 00	-
Total other financing sources (uses)	75 000 00	75 000 00	75 000 00	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	3 888 00	(7 302 78)	(9 207 16)	(1 904 38)
Fund balance, April 1	-	142 648 91	145 647 85	2 998 94
Fund Balance, March 31	3 888 00	135 346 13	136 440 69	1 094 56

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

BUDGETARY COMPARISON SCHEDULE – GARBAGE FUND
Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Interest	500 00	500 00	1 660 23	1 160 23
Special assessments	80 300 00	80 300 00	77 908 33	(2 391 67)
Miscellaneous	-	-	1 946 58	1 946 58
Total revenues	<u>80 800 00</u>	<u>80 800 00</u>	<u>81 515 14</u>	<u>715 14</u>
Expenditures:				
Public works:				
Sanitation:				
Contracted services	84 858 00	84 858 00	79 351 73	(5 506 27)
Professional services	<u>225 00</u>	<u>225 00</u>	<u>225 00</u>	<u>-</u>
Total expenditures	<u>85 083 00</u>	<u>85 083 00</u>	<u>79 576 73</u>	<u>(5 506 27)</u>
Excess (deficiency) of revenues over expenditures	<u>(4 283 00)</u>	<u>(4 283 00)</u>	<u>1 938 41</u>	<u>6 221 41</u>
Other financing sources (uses):				
Operating transfers in	<u>8 000 00</u>	<u>8 000 00</u>	<u>8 000 00</u>	<u>-</u>
Total other financing sources (uses)	<u>8 000 00</u>	<u>8 000 00</u>	<u>8 000 00</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>3 717 00</u>	<u>3 717 00</u>	<u>9 938 41</u>	<u>6 221 41</u>
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>111 964 59</u>	<u>111 964 59</u>
Fund Balance, March 31	<u><u>3 717 00</u></u>	<u><u>3 717 00</u></u>	<u><u>121 903 00</u></u>	<u><u>118 186 00</u></u>

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2005

Township Board:	2 731 01
Wages	744 68
Office supplies	800 00
Audit fees	2 191 14
Legal and professional	4 724 57
Tax notice preparation	11 000 00
Parks and recreation	799 00
Printing and publishing	5 985 00
Insurance and bonds	1 863 49
Memberships and dues	5 405 97
Office equipment and maintenance	10 000 00
Library	3 599 90
Miscellaneous	<u>49 844 76</u>
Supervisor:	10 400 00
Salary	83 78
Supplies	974 83
Education and training	240 23
Mileage	68 69
Postage	<u>11 767 53</u>
Elections:	1 785 00
Wages	623 41
Supplies	499 27
Printing and publishing	480 00
Repairs and maintenance	612 57
Miscellaneous	<u>4 000 25</u>
Assessor:	10 000 00
Salary	471 28
Postage	<u>10 471 28</u>
Clerk:	10 400 00
Salary	46 11
Supplies	1 179 40
Education and training	<u>11 625 51</u>
Board of Review:	768 00
Wages	63 92
Education and training	295 00
Printing and publishing	<u>1 126 92</u>
Treasurer:	11 900 00
Salary	1 353 27
Supplies	1 019 88
Education and training	<u>14 273 15</u>
Building and grounds:	8 215 00
Operating	<u>4 659 00</u>
Cemetery	<u>29 954 00</u>
Fire protection	

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2005

Protective inspection:	
Building Inspector wages	100 00
Plumbing Inspector fees	25 00
Mechanical Inspector fees	125 00
Building Administrator wages	3 270 00
Contracted services – Construction Code Group	63 60
Office supplies	<u>1 800 00</u>
	<u>5 383 60</u>
Planning and zoning:	
Wages	7 048 00
Contracted services – master plan	3 274 04
Education and training	165 00
Printing and publishing	<u>379 88</u>
	<u>10 866 92</u>
Highways and streets:	
Drains at large	<u>23 111 26</u>
Street lighting:	
Utilities	<u>3 455 25</u>
Social security	<u>3 586 01</u>
Total Expenditures	<u><u>192 340 44</u></u>

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS
March 31, 2005

	<u>Police</u>	<u>Road</u>	<u>Garbage</u>	<u>Total</u>
<u>Assets</u>				
Investments	79 639 45	131 696 53	137 590 37	348 926 35
Taxes receivable	-	4 744 16	-	4 744 16
Special assessments receivable	<u>5 510 00</u>	<u>-</u>	<u>2 700 00</u>	<u>8 210 00</u>
Total Assets	<u>85 149 45</u>	<u>136 440 69</u>	<u>140 290 37</u>	<u>361 880 51</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	<u>-</u>	<u>-</u>	<u>18 387 37</u>	<u>18 387 37</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>18 387 37</u>	<u>18 387 37</u>
Fund balances:				
Unreserved:				
Undesignated	<u>85 149 45</u>	<u>136 440 69</u>	<u>121 903 00</u>	<u>343 943 14</u>
Total fund balances	<u>85 149 45</u>	<u>136 440 69</u>	<u>121 903 00</u>	<u>343 493 14</u>
Total Liabilities and Fund Balances	<u>85 149 45</u>	<u>136 440 69</u>	<u>140 290 37</u>	<u>361 880 51</u>

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS
Year ended March 31, 2005

	<u>Police</u>	<u>Road</u>	<u>Garbage</u>	<u>Total</u>
Revenues:				
State revenue sharing	385 00	-	-	385 00
Interest	877 60	1 763 62	1 660 23	4 301 45
Special assessments	151 852 08	158 871 58	77 908 33	388 631 99
Miscellaneous	-	3 888 42	1 946 58	5 835 00
Total revenues	<u>153 114 68</u>	<u>164 523 62</u>	<u>81 515 14</u>	<u>399 153 44</u>
Expenditures:				
Public safety:				
Police protection:				
Contracted services	178 067 00	-	-	178 067 00
Professional services	225 00	-	-	225 00
Public works:				
Highways and streets:				
Contracted services	-	248 505 78	-	248 505 78
Professional services	-	225 00	-	225 00
Sanitation:				
Contracted services	-	-	79 351 73	79 351 73
Professional services	-	-	225 00	225 00
Total expenditures	<u>178 292 00</u>	<u>248 730 78</u>	<u>79 576 73</u>	<u>506 599 51</u>
Excess (deficiency) of revenues over expenditures	<u>(25 177 32)</u>	<u>(84 207 16)</u>	<u>1 938 41</u>	<u>(107 446 07)</u>
Other financing sources (uses):				
Operating transfers in	30 000 00	75 000 00	8 000 00	113 000 00
Total other financing sources (uses)	<u>30 000 00</u>	<u>75 000 00</u>	<u>8 000 00</u>	<u>113 000 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	4 822 68	(9 207 16)	9 938 41	5 553 93
Fund balances, April 1	<u>80 326 77</u>	<u>145 647 85</u>	<u>111 964 59</u>	<u>337 939 21</u>
Fund Balances, March 31	<u>85 149 45</u>	<u>136 440 69</u>	<u>121 903 00</u>	<u>343 493 14</u>

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

COMBINING BALANCE SHEET – ALL CAPITAL PROJECTS FUNDS
March 31, 2005

	<u>Building</u>	<u>Fire Equipment</u>	<u>Total</u>
<u>Assets</u>			
Investments	76 646 84	30 882 14	107 528 98
Special assessments receivable	-	1 110 00	1 110 00
Total Assets	<u>76 646 84</u>	<u>31 992 14</u>	<u>108 638 98</u>
<u>Liabilities and Fund Balances</u>			
Liabilities	-	-	-
Fund balances:			
Unreserved:			
Undesignated	76 646 84	31 992 14	108 638 98
Total fund balances	<u>76 646 84</u>	<u>31 992 14</u>	<u>108 638 98</u>
Total Liabilities and Fund Balances	<u>76 646 84</u>	<u>31 992 14</u>	<u>108 638 98</u>

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL CAPITAL PROJECTS FUNDS
Year ended March 31, 2005

	<u>Building</u>	<u>Fire Equipment</u>	<u>Total</u>
Revenues:			
Interest	1 034 32	336 05	1 370 37
Special assessments	-	29 643 18	29 643 18
Total revenues	<u>1 034 32</u>	<u>29 979 23</u>	<u>31 013 55</u>
Expenditures:			
Public safety:			
Fire protection	-	36 502 00	36 502 00
Total expenditures	<u>-</u>	<u>36 502 00</u>	<u>36 502 00</u>
Excess (deficiency) of revenues over expenditures	<u>1 034 32</u>	<u>(6 522 77)</u>	<u>(5 488 45)</u>
Other financing sources (uses):			
Operating transfers in	25 000 00	10 000 00	35 000 00
Total other financing sources (uses)	<u>25 000 00</u>	<u>10 000 00</u>	<u>35 000 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	26 034 32	3 477 23	29 511 55
Fund balances, April 1	<u>50 612 52</u>	<u>28 514 91</u>	<u>79 127 43</u>
Fund Balances, March 31	<u><u>76 646 84</u></u>	<u><u>31 992 14</u></u>	<u><u>108 638 98</u></u>

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan
BALANCE SHEET – PERMANENT FUND
March 31, 2005

	<u>Cemetery Perpetual Care</u>
<u>Assets</u>	
Investments	<u>28 659 66</u>
Total Assets	<u><u>28 659 66</u></u>
<u>Liabilities and Fund Balances</u>	
Liabilities:	
Accounts payable	<u>60 16</u>
Fund balances:	
Reserved	<u>28 599 50</u>
Total Liabilities and Fund Balances	<u><u>28 659 66</u></u>

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – PERMANENT FUND
Year ended March 31, 2005

	<u>Cemetery Perpetual Care</u>
Revenues:	
Charges for services	2 575 00
Interest	<u>399 48</u>
Total revenues	<u>2 974 48</u>
Expenditures:	
General government:	
Cemetery	<u>385 14</u>
Total expenditures	<u>385 14</u>
Excess of revenues over expenditures	2 589 34
Fund balance, April 1	<u>26 010 16</u>
Fund Balance, March 31	<u><u>28 599 50</u></u>

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –
CURRENT TAX COLLECTION FUND
Year ended March 31, 2005

	<u>Balance</u> <u>4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/05</u>
<u>Assets</u>				
Investments	<u>3 363 82</u>	<u>2 755 944 78</u>	<u>2 755 533 78</u>	<u>3 774 82</u>
<u>Liabilities</u>				
Due to other funds	40 57	680 420 00	676 685 75	3 774 82
Due to others	<u>3 323 25</u>	<u>2 075 524 78</u>	<u>2 078 848 03</u>	<u>-</u>
Total Liabilities	<u>3 363 82</u>	<u>2 755 944 78</u>	<u>2 755 533 78</u>	<u>3 774 82</u>

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS –
CURRENT TAX COLLECTION FUND
Year ended March 31, 2005

Cash in bank and investments – beginning of year	<u>3 363 82</u>
Cash receipts:	
Property tax and assessments	2 730 238 15
Property tax administration fees	25 246 92
Interest	<u>459 71</u>
Total cash receipts	<u>2 755 944 78</u>
Total beginning balance and cash receipts	<u>2 759 308 60</u>
Cash disbursements:	
Township General Fund	100 663 45
Township Road Fund	154 127 42
Township Lighting Fund	1 325 00
Township Police Fund	145 935 83
Township Garbage Collection Fund	75 208 33
Township Fire Equipment Fund	28 456 08
Township Water District #5 Fund	12 920 39
Township Water District #6 Fund	3 612 64
Township Water District #7 Fund	11 336 67
Township Water District #8 Fund	24 273 50
Township Water District #9 Fund	4 566 93
Township Water District #11 Fund	57 537 94
Township Water District #12 Fund	56 721 57
Saginaw County	1 073 417 45
Saginaw Intermediate School District	162 859 19
Delta College	159 362 23
Frankenmuth School District	417 980 99
Birch Run Township	3 140 56
City of Frankenmuth	251 539 25
Refunds	<u>10 548 36</u>
Total cash disbursements	<u>2 755 533 78</u>
Cash in Bank and Investments – End of Year	<u>3 774 82</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 7, 2005

To the Township Board
Township of Frankenmuth
Saginaw County, Michigan

We have audited the financial statements of the Township of Frankenmuth for the year ended March 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Frankenmuth in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Frankenmuth
Saginaw County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2005. The implementation of this pronouncement for the Township of Frankenmuth began with the year ended March 31, 2005. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2005.

To the Township Board
Township of Frankenmuth
Saginaw County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants